



Ind-Swift

# ANNUAL REPORT 2014-15

**Ind-Swift LABORATORIES Limited**  
A FORTUNE NEXT 500 COMPANY

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## **Ind-Swift Laboratories Limited**

focuses on the development of active pharmaceutical ingredients involving complex chemistry for high growth therapeutic segments coupled with an excellence in execution.

It has established global leadership in many products through innovative pharmaceutical solutions.

# FORTUNE NEXT 500 COMPANY



Ind Swift Laboratories has been recently included in List of Fortune Next 500 Company. The selection is based on the Key Financial Parameters as decided by the Fortune Group. The Company has also been ranked as the top Wealth Creator and an award for the same was awarded to Shri N.R. Munjal, Vice Chairman-cum-Managing Director by the Hon'ble Minister of State for Power Coal and Renewable Energy Sh. Piyush Goyal.

# VICE-CHAIRMAN CUM MANAGING DIRECTOR'S OVERVIEW

“Strength does not come from winning.  
Your struggle develop your strengths.  
When you go through hardships and  
decide not to surrender that is  
strength.”  
– Mahatma Gandhi

## Dear Stakeholders

It is my pleasure to present to you the progress report for the year 2014-2015, which has been another year passed with austerity but with determination to overcome the difficulties and challenges thrown by the adverse situation.

Despite these challenges your Company continued to perform well, it achieved a turnover of Rs. 667.99 crores including a sum of Rs. 430.43 crores as an export turnover. It earned an EBIDTA of Rs. 111.16 crores during this period. The bottomline however continues to be in red at Rs. 119.16 crores net loss for the year 2014-15.

The year 2014-15 saw the company focusing purely on the API sales and reducing to a great extent the trading and the menthol turnover. The increased focus resulted in achieving the similar EBIDTA levels from the reduced turnover also. The year had been tough in terms of managing the banks and financial institutions. Currently, top most efforts are being made by the Company to come out of this situation by roping in investments which could take care of the defaulting banks and financial institutions.

During the year we increased production capacities for few products through de bottlenecking and efficiency improvement. We are setting up a new block for manufacturing Atorvastatin which we expect to be completed by December, 2015. The new block will increase our existing capacity for the product by six tonnes per month.

We already have all accreditations for our Derabassi manufacturing facility with USFDA approval for seven products. In addition we are expecting the USFDA approval near future for 3-4 more products. We were recently inspected and approved by drug regulatory authorities; NOM of Greece; ANVISA of Brazil and COFEPORIS of Mexico.

The Company is performing well in the countries of US and Japan, where we expect big boost in the year 2017-18 when patents for few of our products go off-patent.

The challenges faced in the last few years have made us smart and strong. We have shredded our extra weights - in terms of non - remunerative businesses and are set to take strides into the new level of growth and opportunity.

Your company appreciates the support provided by its customers, bankers creditors fixed deposit holders shareholders and above all employees. They have shown their unflinched faith in the Company which has motivated and supported the company in all odds. The Company too will reciprocate equally in the better times, which are not too far away.

**N. R. Munjal**  
Vice Chairman  
Cum Managing Director



# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The global pharmaceutical industry revenue is forecasted to reach an estimated \$1,226.0 billion by 2018, with good growth over the next few years. The industry is expected to register growth led by aging population, changing lifestyles, hectic daily activities, unhealthy eating habits, increasing incidence of chronic diseases across the entire global population providing growth opportunities for the industry players.

The global pharmaceutical market faces major challenge from increasing investment and strict regulation. Changing lifestyles and the fast socio-demographic shift due to urbanization in both developed and growth markets globally are expected drive the demand. The ability to create new technology and innovative drugs is a key driver for success in this market.

North America is projected to lead the pharmaceutical industry. Vaccine industry is expected to record the highest growth during the forecast period. ROW industry is expected to witness the highest growth during next few years. Government initiatives in Brazil to encourage drugs industries by providing free pricing policies and special financial investment options will attract the industry players. APAC holds good growth potential for the future.

## Indian Pharma industry

The Indian active pharmaceutical ingredients manufacturing segment can be divided into two sectors 1) innovative or branded and 2) generic or unbranded. In 2009, the global generic drug market was estimated at US\$ 84 billion, of which the market share of US was about 42 per cent.

The last year, India's generic drug industry was estimated to US\$ 19 billion and it ranks third globally, which contributes about 10 per cent to global pharmaceutical production. The generic APIs market is expected to continue to rise faster than the branded or innovative APIs, by 7.7 per cent per year and is expected to reach \$30.3 billion in 2016. Asia-Pacific is expected to show the fastest growth rates of 10.8 per cent per



year. The 24 fastest growing markets will include 11 in Asia-Pacific, seven in Eastern Europe and CIS, four in Africa-Middle East and two in Latin America.

According to a report, the market share held by Indian API manufacturers in the global API market (generic APIs and branded/innovator APIs) was 6.5 per cent in 2005, which has been increased at the rate of 12.0 per cent till 2010, and is expected to increase to at the rate of 22 per cent by 2015. India's share of the global generic API merchant market has increased from 13.5 per cent in 2005 to 22.1 per cent in 2010 and is expected to increase to 33.3 per cent by 2015. Export sales of generic APIs from India increased at an average of rate of 18.9 per cent during 2005-2010.

On a geographic basis, the highest growth rate for APIs between 2008 and 2012 was in Asia-Pacific (excluding Japan), which experienced average annual growth rate of 13.9 per cent, followed by the Middle East with 8.7 per cent average annual growth and Eastern Europe and the Commonwealth of States (CIS) with 8.2 per cent average annual growth, according to a recent report. India's supply to the US market increased from \$255 million in 2008 to \$1.12 billion in 2012 at an average annual rate of 44 per cent. Asia Pacific accounted for 39.6 per cent of the global generic API merchant market in 2012.

China is the largest consumer on a country basis of generic API in the merchant market, accounting for 23.7 per cent of the global total, surpassing the North American market as a whole (21.9 per cent) and the US (20.4 per cent). India exports generic APIs to developed countries and the exports account for 41.6 per cent of total sales in India as compared to 24.7 per cent in China. India is the second largest supplier of generic APIs to the US market with a 24.4 per cent share, according to the CPA report. India is also increasing its supply to Western Europe, accounting for 19.2 per cent of the supply to the region.



## The future trends

By the year 2016, China is expected to account for 27.7 per cent of the global generic API merchant market, making it the largest market and surpassing the US, which will be the second largest global market with an 18.2 per cent share. India will remain as the third largest merchant market for generic APIs with a projected 7.2 per cent by 2016, according to the CPA report.

Ten emerging markets are projected to experience double-digit growth of 10 per cent to 14 per cent in the generic API market. These countries are Brazil, China, Egypt, India, Jordan, Pakistan, South Africa, Thailand, Turkey, and Vietnam. The generic APIs industry in India has reached to worth \$4.7 billion in 2012 at an average growth rate 20 per cent per annum.

The sales of finished APIs are increasing at faster rate up to 40-45 per cent per year. This is due to the strategy of Indian companies to raise the added value of revenues. The growth has been driven by both domestic sales and exports, particularly to the US, where exports grew at an astonishing 44.8 per cent per year to reach \$1.12 billion in 2012, with a market share of 24.4 per cent, second behind Italy.

In Western Europe, Indian generic active pharmaceutical ingredient companies increased their market share from 15.9 per cent in 2008 to 19.2 per cent in 2012. They are also penetrating the strictly regulated and wary Japanese market, albeit from a low base. More generally, Indian APIs and pharmaceutical companies have been filling approximately 39 per cent of the global market.

Indian active pharmaceutical ingredient firms are aggressively strengthening their credibility in regulated markets by obtaining approval for their products, therapeutic applications, and manufacturing facilities. These companies, including those selling finished dosage forms, continue to outpace Chinese, Italian and other competitors in terms of DMFs, which are seen as a gradient of quality. Higher quality, coupled with cost-containment, makes an India increasingly attractive for API outsourcing. In fact, India has been recognized as one of the leading global players with the filing of large number of DMFs and dossier registrations for active pharmaceutical ingredients, with several manufacturing facilities approved by the regulatory authorities of developed countries. Moreover Indian Government is also looking for better business opportunities where the environment is more conducive. The Government of



India is determined to see that the Indian API sector is self sufficient.

## **Review of Ind-Swift Laboratories Performance**

The past few years, Europe has seen a very difficult economic terrain with partial recoveries beginning 2013 onwards. The industrial environment remained fragile but on the right track to a modest recovery. For the European Pharmaceutical industry, things have looked up during the last fiscal, which is also evident from the growth witnessed by your company. Companies are more confident on bringing new drugs and treatments to the market. With several austerity measures still in place in many European states, pricing pressures is still an important factor in the overall revenue plans for this market.

Europe remains the top performing region for the company. Almost all products sold to the European Region have earned higher revenues for the company.

The world's best selling drug, Atorvastatin (Cardiovascular) remained the top-selling drug for the European region. The market share for this product in Europe has seen a gradual increase over the past few years since the expiry of the original patent. Followed closely in terms of revenue and market share is the leading product (Macrolide Antibiotic) of the company and its Granulate form.

The company is gearing up for several new launches in the coming years in the European Market .

Turkish pharmaceutical industry holds great promise for steady growth for the next decade. Last year saw our presence getting stronger especially in the macrolides range. Trust and partnerships built over years have ensured a position for your company to be regarded as a reliable supplier of Active ingredients to this very important market.

The US continues to be the largest pharmaceutical market in the world. Driven by the factors such as large healthcare spending, high per-capita income, and strong research & development investments, the pharmaceutical market in the US has witnessed an upward surge over the past few years. Additionally, the share of Generics has increased steadily in the pharmaceutical market, in terms of both revenue and prescriptions.

The US generic drugs market accounts for a share of around 45% in the global Generics market. This share has been growing at a fast pace on the back of factors, such as demand for cost-effective medications, rising healthcare expenditure, increasing ageing population, patent expiration of blockbuster drugs, and enhanced government support.







This year the company continued with the commercial supplies of multiple APIs for North America. Additionally the company has grabbed few CRAMS orders to be executed from the CRAMS SBU. The company's four products are being actively reviewed by regulatory agencies. The company is progressing well with its plans with execution of manufacturing and supply agreements with North American generic pharmaceutical companies.

## ASIA

As the experts say that Japanese pharmaceutical market will experience a slight CAGR contraction in dollar terms between 2012 and 2017. Japan will be the second largest pharmaceutical market in the Asia Pacific region, having been overtaken by China in 2016. Ind-Swift's efforts in Japan for the last many years have started fetching results. Company has been able to establish commercial tie up with leading Generic companies in Japan and also in Clinical phase 3 with the innovator companies which is developing a new NDDS. We are on the verge of catapulting our sales in Japan, which is going to see a quantum leap in the next financial year.

South Korea is one of the Asian Tigers, and is the only developed

country so far to have been included in the group of NEXT ELEVEN countries. Apart from Clarithromycin Granules and Clarithromycin Powder where we enjoy a leadership position catering to more than 80% of the market, we have also filed DMFs for more than 8 products in Korea and are in several stages of discussion with the generic companies for the development and the commercial supplies.

China is the fifth largest pharmaceutical market in the world. We have already started the commercial supplies of Fexofenadine. As a growth strategy we have filed-in the IDLs for more than 6 products and are expecting to receive the IDLS for at least 2 more products in the next financial year which would boost our presence in this market.

ISLL has filed TDMFs for 4 of its products in Taiwan.

We also have added few more products in Thailand and Malaysia and are catering to companies in Vietnam, supplying Clarithromycin, Clopidogrel, Atorvastatin and Anastrozole.

Pakistan and Bangladesh are still being catered successfully despite of the throat cutting price war. Our proactive and fully efficient strategies have maintained our position strong and upheld.

## LATAM

Latin American pharmaceutical market is among the fastest growing across the world. Although individual markets are growing at different rates, the total market is expected to grow at a compound annual growth rate of more than 12% over the next five years.

The major part of the sales came from Mexico, Brazil, Colombia and Peru whereas a better potential was observed in the other countries like Paraguay, Uruguay, Chile and El Salvador.

ISLL was successfully audited by ANVISA BRAZIL and has received the GMP approval for our Derabassi facility without any observations. We are amongst very few companies in the world to have received the A+ rating for their plant by ANVISA. This opens up a vast share of the market for Clarithromycin and we are perched way above on this product from our competitors. With this we have also been able to create a positive feedback about our GMP systems, which is highly appreciated by the Brazilian generic community.

Mexico is getting regulated with the introduction of new and stricter guidelines. We have been audited COFEPRIS, which is the regulatory authority in Mexico for 7 products and with the approval just round the corner, ISLL will see itself

consolidating the position in this market in the coming year.. Our business of Clarithromycin Powder, Granules and Atorvastatin Calcium recorded positive sales growth in Mexico.

The price war in Argentina did make us to lower down our prices but the volumes did not hamper the sales in this region. Clarithromycin Granules, Atorvastatin Calcium Crystalline & Amorphous, Clopidogrel and Clarithromycin Powder remained our strong products in Argentina.

Peru and Chile are one of the best emerging markets of 2014-2015. ISLL won government tenders through the Peruvian customers. This phase will help us to bag good amount of business in 2015-2016 as well. Just like Peru, winning Government tenders in El Salvador for Clarithromycin Powder and Granules increased the sales figures.

## MENA

Despite the progress, the pharmaceutical sector in the Gulf is still in an emerging phase, and drug manufacturing is at a relatively nascent stage due to a number of obstacles.

Jordan as a primary market for ISLL, wherein we have achieved good growth and new business is being developed day by day in this market, we have introduced new products, we have got good business with major players in this market like Dar Al Dawa, Hikma, UPM and many more. Due to political unrest in nearby countries local formulation manufacturing companies' exports are suffering that's why there consumption has decreased a little bit.

The Egyptian pharmaceutical industry has enjoyed a period of considerable development in recent years. Last 3-4 years have seen political turmoil and thus production of local manufacturing companies is hampered, however, its catching up now. ISLL is catering its products to many companies and we have developed many new customers in this market and still developing many by providing the samples.

ISLL has good customer base in Tunisia, Morocco and Saudi Arabia. Political unrest in region is affecting the growth rate of the sector Egypt, Bahrain, Yemen and Syria - hardly a state in North Africa and the Persian Gulf has been untouched by popular demands for political reform. However in some countries situation is becoming stable but some are still struggling.

We have entered into Long Term Contracts for Supply of APIs to with formation Companies which are involved in First to file (FTF) through our Group Company Ind-Swift Ltd.

